SCS Agency
Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author: Costa | Analyst: Kristina North | Bill Number: SB 302

Related Bills: See Prior Analysis | Telephone: 845-6978 | Amended Date: 04/10/97

Attorney: Doug Bramhall | Sponsor: ______

SUBJECT: Farmworker Housing Credit/Increase Annual Amount of Credit Granted to $5,000,000

_____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _________.

__X__ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

_____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _________.

_____ FURTHER AMENDMENTS NECESSARY.

_____ DEPARTMENT POSITION CHANGED TO ______________________________.

__X__ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED **FEBRUARY 07, 1997**, STILL APPLIES.

__X__ OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would increase the combined aggregate annual amount of the credit for construction or rehabilitation of farmworker housing and the credit for interest income on farmworker housing loans from $500,000 to $5 million beginning calendar year 1998.

SUMMARY OF AMENDMENT

The April 10, 1997, amendment would delay the increase in the combined aggregate credit amount to $5 million from 1997 to the 1998 calendar year. Except for the delayed operative date and its impact on the revenue, the department's analysis of the bill as introduced February 7, 1997, still applies.

FISCAL IMPACT

Tax Revenue Estimate

Based on the credit limits and assumptions discussed below, the tax revenue impact of this bill is estimated to be as follows:

Revenue Impact of **SB 302**

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE ____ GOVERNOR'S APPOINTMENT

Department Director Position:	Agency Secretary Position:	GOVERNOR'S OFFICE USE
____ S ____ O ____ SA ____ OUA __X_ N ____ NP ____ NA ____ NAR ________ PENDING	____ S ____ O ____ SA ____ OUA ____ N ____ NP ____ NA ____ NAR DEFER TO ____________	Position Approved ____ Position Disapproved ____ Position Noted ____
Department/Legislative Director Date Johnnie Lou Rosas 5/8/97	Agency Secretary Date	By: Date:

LSB TEMPLATE (rev. 01-96)

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(As Amended 4/10/1997 - Enactment Assumed After 6/30/1997)
(In $Millions)

Credit Type	***1997-98***	***1998-99***	***1999-00***	***2000-01***
Construction/Rehabilitation	(minor)	(1)	(2.5)	(3.5)
Loans	(minor)	(minor)	(minor)	(minor)
Total Net Impact (Rounded)	**(minor)**	**(1)**	**(3.0)**	**(4.0)**

Minor is less than $500,000

Any possible changes in employment, personal income, or state gross product that might result from this bill are not taken into account.

Tax Revenue Discussion

Revenue losses would depend on the additional amount of credit allocations (primarily for construction/rehabilitation purposes) and credits applied against tax liabilities. Existing law limits credit allocations to $500,000 annually. It was assumed that 90% of credits would be allocated for construction purposes and 10% for qualified loans.

Construction Credit: It was assumed that the additional $4 million credit ($4.5M*0.9) allocated for construction, rehabilitation, or general improvement would not be reached until the year 2000 due to the time required for completion of work and actual occupation of qualified properties. The estimates above allow for the denial of deductions for the same expenses. The allocation for 1998 was assumed to be 33% and for the year 1999 would be 67% of the maximum credit allocation. It also was assumed that 70% of allocated credits would be applied and the balance carried over and applied over two years.

Loan Credit: Due to **[a]** prior experience with low participation in financial assistance programs (e.g. Rural Legal Assistance Foundation), and **[b]** the fact that loan credits are limited to 50% of the difference in interest income that could have been earned under current market conditions vs. this program, and **[c]** the fact that the credit has to be claimed in equal installments over the lesser of the term of the loan or 10 years, it was assumed that the revenue impact would be minor (less than $500,000 per year). Taxpayers would not be allowed carryovers for unused credits.